

KEY FACTS

Official name: República de El Salvador (Republic of El Salvador)

Head of State: President Mauricio Funes (FMLN) (sworn in 2 Jun 2009)

Head of government: President Mauricio Funes

Ruling party: Alianza Republicana Nacionalista (Arena) (Nationalist Republican Alliance) (from 12 Mar 2012) is the largest party (33 seats out of 84) in the Legislative Assembly

Area: 21,400 square km

Population: 6.23 million (2012)*

Capital: San Salvador

Official language: Spanish

Currency: US dollar (US\$) (from 1 Jan 2001; previous currency colón locked at C8.75 per US dollar)

Exchange rate: US\$1.00 per US\$ (fixed)

GDP per capita: US\$3,823 (2012)*

GDP real growth: 1.60% (2012)*

GDP: US\$23.82 billion (2012)*

Unemployment: 5.74% (2012)* (plus additional underemployment)

Inflation: 1.73% (2012)*

Balance of trade: -US\$4.94 billion (2012)*

* estimated figure

El Salvador



El Salvador's political transformation in the 1990s led to major structural reforms and stable macro-economic policies that resulted in a strong economic performance (an average yearly growth of around 6 per cent) for most of the decade. The structural reforms embarked upon included trade liberalisation, financial sector privatisation, a comprehensive reform of the tax system and improvements in the investment climate. The adoption of the United States dollar as legal tender in 2001 helped in reducing inflation and consequently the uncertainty of business and interest rates.

Steady as she goes

In common with a number of its neighbours, El Salvador saw its economy weaken slightly in 2012; a fall in external demand largely accounted for the drop in gross domestic product (GDP) growth, from an annual 1.6 per cent in 2011 to 1.2 per cent in 2012. If this was a reversal for the economy, the reduction in inflation from the 5.1 per cent registered in 2011 to

a more manageable 1.4 per cent had to be considered a success. The contraction of goods exports was put at 1.2 per cent, offset by a dramatic slowing in import levels, which dropped from a growth figure of 19.1 per cent in 2011 to an estimated 2.5 per cent in 2012. El Salvador's current account deficit edged up slightly, from 4.6 per cent in 2011 to 4.8 per cent in 2012.

Another success for the Salvadorean government was, according to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the tax measures introduced towards the end of 2011, which were estimated to have added as much as one per cent to total revenues, which reached 20 per cent of GDP. Although growth slowed in 2012, government expenditure increased by 7 per cent of GDP. As a result of this combination, the current account surplus went into the black, reaching 0.5 per cent, healthily contrasting with the deficit of 0.2 per cent seen in 2011. Funding through an International Monetary Fund (IMF) stand-by-agreement was restricted by a

failure to reach agreement on fiscal targets. None the less, public debt at the end of 2012 was 57.1 per cent of GDP, compared to 56.2 per cent in 2011.

The government's 2013 budget provides not only for new taxes but also for measures to lower government expenditure. The forecast figures for 2013 look encouraging, based on a forecast GDP growth rate of two per cent. The public sector deficit is expected to fall to 2.7 per cent of GDP and total debt to decline to about 53 per cent of GDP. In addition to lower external demand, growth forecasts are depressed by shrinking private investment, at 3.4 per cent. The construction, transport and financial sectors are also all set to register lower growth levels. This trend should be bucked by the agricultural and service sectors, both of which are registering strong growth. ECLAC forecasts strong growth of 2 per cent in 2013, provided that goods exports to the US pick up. Inflation in 2013 is projected at around 3 per cent due to higher international fuel prices.

Unlucky? Or just dangerous?

The most densely-populated state on the mainland of the Americas, El Salvador can hardly be described as one of the world's 'lucky' countries. It may, on the positive side of the equation, be relatively industrialised, but its high level of social inequality and vulnerability to earthquakes have, for decades, combined to make it not only 'unlucky', but for many inhabitants, simply dangerous.

Throughout the 1980s El Salvador had been beset by a vicious civil war. The war left an estimated 70,000 people dead and caused damage put at US\$2 billion, but it also brought about important political reforms. The civil war's origins went back to beyond the 1950s, the product of deep social divisions between the well heeled upper echelons of society, to be found enjoying lunch at San Salvador's Country Club when not running the country's banks and industry, not to mention its government, and the rest. In the 1950s, when the military still ran the country, the San Salvador correspondent of *Time* magazine described a situation where 'El Salvador was the property of fourteen families, who ruled the country alongside the military.' The figure 'fourteen' was not so much based on any accurate census, but extrapolated from the fact that El Salvador is divided into fourteen departments, each of which was ruled over by a single family. The assessment probably underestimated the concentration of

power; the reality was that only one or two families dominated the export of coffee, finance and business in each department and these families as a whole probably controlled around 90 per cent of the country's wealth.

From *Catorce* to *Argolla*

At the time of the civil war, El Salvador had relatively few local banks and those that there were existed largely to finance coffee exports and not a lot more. Credit for industrial and business purposes was virtually unknown. Funding coffee exports accounted for most of the banks' operations; traditionally, coffee exporters once they had been paid preferred to leave their profits outside the country, for the most part in the US. This began the 'fourteen family' legend, which although diminishing in prominence, persisted almost into the twenty-first century. The reality behind the legend certainly persisted, even if the military no longer played any role. The *Catorce* (fourteen) were replaced by the *Argolla*, which loosely translates as 'the ring' of influential aristocrats.

The military had seized power in 1931 and ruled, under various guises and through various warring presidents, until 1979. The military apparatus which controlled the country was built on a traditional alliance of the military, *las catorce* and foreign interests (notably the United States). After the late 1960s, the Catholic Church began to ally itself with the forces of reform and later with those of

revolution. Under the guidance of Archbishop Oscar Romero, who was assassinated in 1980, the Salvadorean church became the basis of opposition to the conservative regime. The other main force of opposition during this time was the moderate reformist Partido Demócrata Cristiano (PDC) (Christian Democratic Party). In 1979, a military junta with left-leaning ideals overthrew the conservative regime, initially ushering in high hopes for success but ending in disaster as El Salvador finally slid into civil war

The Gangs

As if civil war and natural disasters – hurricanes and earthquakes – were not enough, in the years following the civil war El Salvador had become increasingly prone to gang crimes as semi-military gangs fought with each other to control the lucrative traffic of narcotics northwards to Mexico and eventually to the US. In March 2012 El Salvador's two most violent criminal gangs, the so called Mara Salvatrucha (also known as 'MS') and the 18th Street gang agreed some sort of a truce. The murder rate fell dramatically, but whether this unprecedented peace could last was another matter.

The open warfare between the gangs had left El Salvador with a homicide rate often between 13 or 14 a day, one of the highest in the world – if not the highest. Rather improbably, the peace negotiations were carried out in clandestine meetings between the gangs' leaders in El Salvador's miserable prisons. Equally improbable, *a la*

KEY INDICATORS

El Salvador

| | Unit | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------|----------|----------|----------|----------|----------|-----------|
| Population | m | 5.78 | 5.82 | *5.86 | *5.90 | *6.23 |
| Gross domestic product (GDP) | US\$bn | 22.10 | 21.10 | 21.70 | 22.80 | *23.82 |
| GDP per capita | US\$ | 3,705 | 3,548 | 3,618 | 3,855 | *3,823 |
| GDP real growth | % | 1.3 | -3.1 | 1.4 | 1.4 | *1.6 |
| Inflation | % | 7.3 | 0.4 | 1.2 | 3.6 | *1.7 |
| Unemployment | % | 6.3 | 7.3 | 5.9 | 5.6 | *5.7 |
| Industrial output | % change | 1.6 | -3.1 | 1.0 | – | – |
| Agricultural output | % change | 7.3 | -2.9 | 3.3 | – | – |
| Exports (fob) (goods) | US\$m | 4,610.7 | 3,929.8 | 4,576.7 | 4,242.6 | 9,175.0 |
| Imports (fob) (goods) | US\$m | 9,004.2 | 7,037.7 | 8,188.7 | 9,014.8 | 4,236.0 |
| Balance of trade | US\$m | -4,393.5 | -3,107.9 | -3,612.0 | -4,772.2 | -4,939.0 |
| Current account | US\$m | -1,595.9 | -304.2 | -575.9 | -1,070.1 | *-1,225.0 |
| Total reserves minus gold | US\$m | 2,443.1 | 2,868.8 | 2,569.6 | 2,516.7 | 2,806.0 |
| Foreign exchange | US\$m | 2,404.6 | 2,612.0 | 2,317.4 | 2,254.7 | 2,554.0 |
| Exchange rate | per US\$ | 1.00 | 1.00 | 1.00 | 1.00 | 8.75 |
| * estimated figure | | | | | | |

Graham Greene, the catalysts for the rapprochement were a Catholic bishop and a former rebel commander. None the less, in an eight month period the murder rate fell to around five a day. An unforeseen result of the peace agreement was not only that gang recruitment in schools fell, but that the number of students being murdered also fell. The climate of fear and suspicion that arose during the civil war had led to widespread suspicion and mistrust, causing the widespread belief that the gangs had been paid to participate in the truce – an allegation denied by the government and the gangs. Other conspiracy theories suggested that Mexican drug cartels were behind the peace. The thinking behind the conspiracy was that gang warfare unnecessarily complicated the trafficking business. It was believed that over 2,000 members of the Mara Salvatrucha were in gaol. The civil war had caused many Salvadoreans to flee their country, with the US – notably Los Angeles – as the preferred destination. As the US began to deport criminals, although they held Salvadorean nationality, many of those deported had never actually lived in El Salvador.

The social background

The 1992 peace accord implemented by the United Nations had allowed former guerrillas of the Frente Farabundo Martí para la Liberación Nacional (FMLN) (Farabundo Martí National Liberation Front) to form a legitimate political party and participate in elections. In March 2009, Mauricio Funes was elected president of El Salvador, a first in history for an FMLN candidate. Mr Funes took office in June 2009 after 20 years of Alianza Republicana Nacionalista (Arena) (Nationalist Republican Alliance) as the ruling party. Although macro-economic stability and the promotion of pro-poor social development and inclusion were key elements of Funes' election platform, the global crisis has constrained the government's fiscal space and made evident the need to address structural vulnerabilities in order to implement a sustainable social programme.

Following the end of the civil war, El Salvador made some progress towards consolidating peace and democracy. The political transformation led to major structural reforms and stable macro-economic policies that resulted in strong economic performance (an average yearly growth of around 6 per cent) during the 1990s. Poverty levels in the country declined significantly between 1991 and 2002 (about 27 percentage points), with

extreme poverty dropping by half over the same period. There were also important social advances, as infant and maternal mortality rates were reduced and school enrolment and access to reproductive health and water services increased. Economic growth reached 4.7 per cent in 2007, but for El Salvador the effects of the global financial crisis in 2008 resulted in a drop in exports and remittances, higher levels of unemployment and rising food and energy prices. Between 2007 and 2008, the percentage of people in poverty increased from 35.5 per cent to 42.3 per cent. In response to the effects of the economic downturn, the government formulated the Anti-Crisis Plan for 2009–11, with a stimulus package of nearly US\$600 million that included measures to create temporary jobs, build basic infrastructure and increase the coverage of social services.

Elections loom

The outcome of the 2014 presidential elections will determine whether El Salvador continues the policy of social investment and economic reform begun in 2009, or whether it returns to conservative 'neo-liberal' policies. In 2013 the presidential campaigns had hardly got under way. There was grass roots pressure for more democratic methods of choosing candidates. The daily *Prensa Gráfica*, noted in its 2012 polling station survey of the electorate taken at polling places during the 11 March 2012 election of mayors and deputies, that 52 per cent of respondents favoured the selection of presidential candidates by the members of each party. Only 22 per cent favoured the selection of candidates by the party leadership. This desire of the electorate for political equality is an expression of more than a century of struggle for freedom and democracy. From now on, the stakes are high. Given recent voting patterns across El Salvador, including a relatively low voter turnout, it is likely that political parties that fail to reflect the views and values of their constituents will be unable to address the authentic concerns of their base and risk losing at the ballot box in the big presidential campaign of 2014.

Risk assessment

| | |
|--------------------|------|
| Politics | Fair |
| Economy | Good |
| Regional stability | Good |

COUNTRY PROFILE

Historical profile

1821 The Central American provinces (Costa Rica, Guatemala, Honduras,

Nicaragua and El Salvador) declared independence from Spain.

1825 Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador formed the Central American Federation (CAF).

1838 The CAF was dissolved and El Salvador became an independent republic. By the twentieth century, the majority of the indigenous population had been reduced to poverty and discontent, having been pushed off their land, which had been turned over to crops for export. Most of El Salvador's income came from coffee exports.

1929 Coffee prices plummeted following the US stock market crash.

1932 During the uprising of peasants and Indians an estimated 30,000 people were killed by the military, referred to as *La Matanza* (the massacre).

1961 The right-wing Partido de Conciliación Nacional (PCN) (National Reconciliation Party) came to power following a military coup.

1969 Honduras and El Salvador fought what became known as the 'soccer war', which was prompted by land disputes and El Salvador's win in the World Cup play-offs between the two countries; over 3,000 people died.

1970s There were demonstrations, civil disobedience and strikes. The *esquadrões de morte* (death squads) were formed. Thousands of Salvadorians were kidnapped, tortured and murdered.

1977 General Carlos Romero was elected president.

1979 Romero was ousted by reformist military officers, although this failed to stem the number of deaths at the hands of military-backed death squads.

1980 Archbishop Oscar Romero was assassinated on 25 March while celebrating Mass. In December Napoleón Duarte became El Salvador's first civilian president since 1931.

1980s Civil war between the US-backed right-wing government and a leftist guerrilla group, Frente Farabundo Martí para la Liberación Nacional (FMLN) (Front for National Liberation), was based largely in the countryside. Right-wing groups carried out indiscriminate street killings of 'subversives'. Some rural communities were targeted by the security forces for eradication.

1982 The far-right Alianza Republicana Nacionalista (Arena) (Nationalist Republican Alliance) came to power following violent parliamentary elections.

1984 Duarte won the presidential election and began to negotiate a settlement with the FMLN.

1989 Arena's Alfredo Cristiani was elected president.

1992 A formal cease-fire, under UN auspices, came into effect. An estimated

75,000 people had been killed in the 12-year civil war.

1994 Political killings and threats continued right up to the elections. Arena's Armando Calderón Sol was elected president.

1997 Arena won the Assembly elections. 1998 Hurricane Mitch devastated large swathes of the country, destroying coffee and banana crops.

1999 Francisco Flores (Arena) won the presidential election.

2000 The FMLN became the largest party in the National Assembly. Arena formed a coalition government with the PCN, giving the right-wing block a majority in the Assembly.

2001 The US dollar was adopted as the official currency. Around 1,500 people were killed in the worst earthquakes for more than a decade and 1.5 million were made homeless.

2003 A free trade agreement (FTA) with Panama came into effect.

2004 Antonio Saca (Arena) won the presidential elections. El Salvador, along with the Dominican Republic, Costa Rica, Guatemala, Honduras and Nicaragua, agreed to a proposed Central American Free Trade Agreement (Cafta) with the US.

2005 The OAS human rights court voted to re-open an investigation into the El Mozote massacre in 1981. Thousands of people fled the area surrounding the Iamatepec volcano after it erupted and a tropical storm caused many deaths and damaged the surrounding area.

2006 Arena won 34 seats in the national assembly elections; the FMLN won 32 seats. The newly defined border between Honduras and El Salvador was inaugurated.

2007 Three members of Arena were murdered in Guatemala. After eight years of conflict, the International Court of Justice (ICJ) ruled on a new maritime boundary between Honduras and Nicaragua. The result gives both countries equal access to the rich fishing grounds and oil and gas exploration waters in the area.

2009 In parliamentary elections, the opposition and former revolutionary guerrilla group, FMLN won 42.6 per cent, (35 seats out of 84), the ruling Arena 38.6 per cent (32). In the presidential election, opposition leader, Mauricio Funes (FMLN) won 51.3 per cent, Rodrigo Ávila (Arena) 48.7 per cent. Mauricio Funes and his government took office and diplomatic ties with Cuba were restored after a break of 50 years.

2011 In April the Supreme Court disbanded the Christian Democratic Party (CDP) and the National Conciliation Party (NCP), as neither conservative party had won the minimum level of votes (of 3 per

cent) required in the 2004 presidential election. The parties will cease to exist once the terms of office of their mayors and legislators have ended. A draft bill set before parliament in July for a new wealth and estate tax came in for criticism. It was considered that a levy on investment and entrepreneurial achievement could lead to de-capitalisation in El Salvador.

2012 Parliamentary elections were held on 10 March, in which the opposition Arena won 33 seats (out of 84) narrowly beating the ruling FMLN (31 seats) into second place. On 12 October, the US treasury called the violent criminal gang MS-13 (organised by El Salvador immigrants) as a 'transnational criminal organisation'. The US authorities are now allowed to seize profits of the gang, from drug-trafficking and other criminal activities and estimated in millions of US dollars, much of which is repatriated to El Salvador. MS-13 is estimated to have thousands of members living in North America.

2013 El Salvador has banned gold mining (and all other metal mining since 2008) in an effort to protect its clean water supplies. In 2013 the two main parties were split into anti-mining FMLN and the Arena opposition which is pro-mining, a poll in 2012 showed that nearly two-thirds of the population were in favour of a complete ban.

Political structure

In addition to their unicameral national parliaments, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Dominican Republic also return directly-elected deputies to the supranational Central American Parliament.

Constitution

The constitution came into effect in December 1983. It delineated the three arms of government – legislative, executive and judicial – granting them official autonomy. Executive power is held by the president who serves a non-renewable five-year term of office. Legislative power, formed of members elected on three-year terms is held by the unicameral National Assembly – which also holds the power to appoint a president if no candidate gains an absolute majority in the elections. In 1991 constitutional reforms strengthened the judicial and electoral systems. There are 14 departamentos (administrative divisions) which each have a governor and an elected local council headed by a mayor.

Form of state

Presidential democratic republic

The executive

Executive power is vested in the president (who is elected every five years in March),

assisted by the vice president and council of ministers. A second round of elections must be held within 30 days of the declaration of the result of the first round if no candidate secures an absolute majority (51 per cent) at the first attempt.

The presidential term begins on 1 June. The president is both the head of state and head of government.

National legislature

The unicameral Asamblea Legislativa (Legislative Assembly), has 84 members directly elected for three years by proportional representation, of which 64 are elected in 14 multi-seat constituencies relating to the 14 departments (returning between 3–16 deputies each, depending on population sizes) and 20 deputies selected in a single national constituency. Deputies may serve successive terms.

Legal system

Since 1993, El Salvador has undergone a full-scale review of its judicial structure. In order to achieve a basic level of judicial independence, judicial appointments are the responsibility of the Legislative Assembly, and funding for the courts has been ensured. In 1998, the Legislative Assembly replaced the 1860 criminal code and code of criminal procedure with more efficient procedures. With a US\$22.2 million loan from the Inter-American Development Bank (IDB), approved in 1996, El Salvador began a programme of judicial training, the renovation and expansion of efforts to educate juvenile offenders, and projects to strengthen administration and planning. The process of reform is continuing and is more autonomous and professional than at any time in El Salvador's history.

Last elections

15 March 2009 (presidential); 10 March 2012 (parliamentary)

Results: Presidential: Mauricio Funes (FMLN) won 51.3 per cent, Rodrigo Ávila (Arena) 48.7 per cent.

Parliamentary: Alianza Republicana Nacionalista (Arena) (Nationalist Republican Alliance) won 39.76 per cent of the vote (33 seats, out of 84), Frente Farabundo Martí para la Liberación Nacional (FMLN) (Farabundo Martí National Liberation Front) 36.76 per cent (31), Alianza por la Unidad Nacional (AUN) (Grand Alliance for National Unity) 9.6 per cent (11), Concertación Nacional (CN) (National Coalition) 7.18 per cent (seven), Partido de la Esperanza (PE) (Party of Hope) 2.76 per cent (one), Cambio Democrático (CD) (Democratic Change) 2.14 per cent (one); three other political parties failed to win any seats.

Next elections

March 2014 (presidential); 2015 (parliamentary)

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Political parties

Ruling party

Alianza Republicana Nacionalista (Arena) (Nationalist Republican Alliance) (from 12 Mar 2012) is the largest party (33 seats out of 84) in the Legislative Assembly

Main opposition party

Alianza Republicana Nacionalista (Arena) (Nationalist Republican Alliance)

Population

6.23 million (2012)*

Population density is particularly high in the capital, San Salvador, where population density is more than twice the national average.

Last census: 12 May 2007: 5,744,113

Population density: Around 280 inhabitants per square km. Urban population 64 per cent (2010 Unicef).

Annual growth rate: 0.7 per cent, 1990–2010 (Unicef).

Ethnic make-up

Approximately 94 per cent of the population are mestizo, 5 per cent Amerindian and 1 per cent white.

Religions

Predominantly Roman Catholic (75 per cent); most of the remaining 25 per cent belong to a number of Protestant churches.

Education

Low levels of literacy and educational skills are regarded by the government as a major impediment to foreign investment.

Literacy rate: 80 per cent adult rate; 89 per cent youth rate (15–24) (Unesco 2005).

Enrolment rate: 112 per cent gross primary enrolment of relevant age group, including repeaters; 56 per cent gross secondary enrolment; 17 per cent gross tertiary enrolment (World Bank).

Pupils per teacher: 33 in primary schools

Health

Approximately 55 per cent of the population has access to safe water.

HIV/Aids

HIV prevalence: 0.7 per cent aged 15–49 in 2003 (World Bank)

Life expectancy: 71 years, 2004 (WHO 2006)

Fertility rate/Maternal mortality rate: 2.3 births per woman, 2010 (Unicef); maternal mortality 1.2 per 1,000 live births (World Bank).

Child (under 5 years) mortality rate (per 1,000): 16 per 1,000 live births (WHO 2012); 11 per cent of children aged under five are malnourished (World Bank).

Head of population per physician: 1.24 physicians per 1,000 people, 2002 (WHO 2006)

Welfare

El Salvador operates a mandatory private insurance system, introduced into law in 1996 and implemented in 1998 as part of the government's privatisation strategy. The law ensured state provision for those aged over 36-years in 1996 but was closed to new entrants. The new private system is funded through a mixture of contributions made by workers and employers.

The state also operates a welfare system for benefits covering sickness, maternity and work injury. These are based on contributions by the employer and worker and subsidised by the state, but exclude casual workers and those involved in domestic work. Agricultural workers are denied sickness and maternity pay and teachers are excluded from work injury benefits.

Pensions

Old-age pensions are available to men aged over 60 and women over 55 with 25 years of contributions. There is no minimum age requirement for those with more than 30 years' contributions. The 1996 pension reform created five private pensions funds, but in September 2000 three of these were merged into a new fund – AFP Crecer, run by Spanish bank BBVA – which in 2002 controlled around 60 per cent of the country's pensions market.

Main cities

San Salvador (capital, estimated population 561,327 in 2012), Soyapango (420,916), Santa Ana (197,552), San Miguel (183,733), Mejicanos (167,389), Apopa (143,185), New San Salvador (135,895).

Languages spoken

Nahua is spoken by some Amerindians. English is widely spoken in business circles.

Official language/s

Spanish

Media

Press freedom is guaranteed by constitution.

Press

Dailies: In Spanish, Most newspapers include sections on business and economic matters.

National newspapers include *El Diario de Hoy* (www.elsalvador.com) and *La Prensa Gráfica* (ultra-conservative) (www.laprensagrafica.com) and *El Mundo* (www.elmundo.com.sv), an evening newspaper. Local newspapers include *Diario Co Latino* (www.diariocolatino.com) from San Salvador and *El País* (www.elpais.com.sv) from Santa Ana. *El Faro* (www.elfaro.com.sv) is a weekly publication.

Broadcasting

Radio: There are over 80 commercial radio stations. Radio El Salvador (www.radioelsalvador.com.sv) is the state-run network with local stations providing nationwide coverage. Most stations provide services for a localised area and the majority are located around San Salvador.

Television: There are 17 TV channels provided by around five networks. One of the largest private, commercial network is Telecorporacion Salvadoreña (TCS), with ESMI TV (www.esmitv.com), which has five channels, covering news, sport, music and drama and entertainment. Agape TV (www.agapetv8.com) has both commercial and religious programmes. Iglesia del Camino (www.delcamino.org.sv) is run by the Catholic Church. The government runs a cultural and educational channel (canal 10).

There are many pay-to-view digital, cable and satellite services available.

Other news agencies: Prensa Latina: www.prensalatina.com.mx

Economy

The service sector constitutes over 60 per cent of the economy, employing some 49 per cent of the total labour force; the industry sector comprises a total of almost 30 per cent of GDP, of which manufacturing accounts for over 20 per cent, and agriculture around 10 per cent. There are free trade zones where companies (*maquila*) import materials duty free, add value and re-export the goods. Industries that have been encouraged include textile and garment manufacturing, as well as customer service industries such as offshore call centres. The number of workers employed is estimated at around 70,000. As to the general economy retail, financial services and ancillary service businesses have grown as the economy has expanded. Agriculture produce includes coffee, sugar, and livestock for export, along with manufactured goods in iron and steel, paper, pharmaceuticals and foodstuffs.

GDP growth was 1.3 per cent in 2008.

The economy fell into recession in 2009 with negative growth of -3.1 per cent.

However, by 2010 it had recovered and growth was 1.4 per cent with an estimated to remain stable at 1.4 per cent in 2011.

The economy is steadily strengthening, although there are risks from external shocks, such as natural disasters (a devastating earthquake struck in 2001 and hurricanes are an almost annual occurrence). It also felt the downturn in foreign economies during the global economic crisis in 2008. The government is committed to reducing the public debt-to-GDP ratio

and has implemented measures to maximise tax revenue, including modernising the tax administration, reducing tax avoidance, increasing co-ordination between the tax and customs agencies, as well as providing an audit division with increased resources to function independently.

These measures had by 2011 met the government's fiscal targets at a time of higher spending on subsidies.

High levels of unemployment and under-employment persist and remain a government priority. The ability to earn foreign exchange is hampered by El Salvador's comparative disadvantage in terms of productivity, due to low levels of capital investment. However, world prices for coffee, the main agricultural export, have risen steadily since 2004.

Worker remittances in 2010 were US\$3.5 billion (15.7 per cent of GDP), and were estimated to have risen to US\$3.6 billion in 2011, delivering funds directly into typically poorer family budgets.

External trade

El Salvador is a member of the Central American Free Trade Agreement (Cafta) along with the US, Costa Rica, Guatemala, Honduras and Dominica Republic. The *maquila* sector dominates trade with manufactured goods (in particular garments) exported, typically, to the US. Other such enterprises include light manufacturing and offshore call centres. Agricultural produce for export includes coffee, sugar and livestock. There has also been an increase in non-traditional exports such as shrimps, sesame seeds, nuts, fruits and honey.

Imports

Principal imports include raw materials, consumer goods, capital goods, fuels, foodstuffs, petroleum and electricity.

Main sources: US (37.9 per cent of total in 2012), Guatemala (9.7 per cent), Mexico (6.8 per cent).

Exports

Principal exports include offshore assembly exports, coffee, sugar, shrimp, textiles, handicrafts, chemicals and electricity.

Main destinations: US (46.6 per cent of total in 2012), Honduras (14.3 per cent), Guatemala (13.4 per cent).

Agriculture

The agricultural sector of El Salvador's economy employs approximately a third of the country's total workforce. The sector contributes about 12 per cent to total GDP. Approximately 34 per cent of total land is arable; 30 per cent permanent pastures.

Coffee is the most important crop. Other major crops are cotton, sugar cane, maize, beans and rice. There has been some diversification within the sector, with non-traditional exports such as sesame

seeds, nuts, vegetables, fruits, honey and, above all, shrimps, taking an increasing share.

The Gulf of Fonseca is regarded as one of Central America's greatest natural resources with rich fisheries and diverse marine life, which is shared by Honduras, Nicaragua and El Salvador. Typically, the annual catch is over 18,000mt per year. The forestry industry in El Salvador is relatively small.

Industry and manufacturing

Contributing approximately 28 per cent to total GDP and employing around a fifth of the total workforce, the industrial sector is a significant part of El Salvador's economy.

The national government has made efforts to shift the industrial sector towards manufacturing for export through the development of the *maquila* (in-bond manufacturing) sector and the creation of free zones. *Maquila* exports have accounted for the bulk of growth in the export sector since 1992. Investment incentives in the free zones include a 10-year income tax exemption, import duty exemptions or reduced exposure to taxes on equity or assets for 10 years.

Tourism

El Salvador has a variety of tourist attractions, including Pacific Ocean and Caribbean Sea coastlines, nature parks, cities and culture. The pre-Colombian archaeological site of Joya de Cerén, with the remains of a Maya farming community buried beneath the Laguna Caldera Volcano (AD600), is included on Unesco's World Heritage List. However, El Salvador also has a problem with internal lawlessness and foreign nationals are urged by their governments to exercise extra personal security.

Travel and Tourism accounted for around 10 per cent (US\$2.2 billion) of GDP until 2008, but the global economic crisis cut visitor numbers, particularly from the US, from where a high proportion of visitors originate, so that by 2010 tourism only contributed 6.3 per cent (US\$1.4 billion) of GDP. Likewise, employment in tourism and related industries accounted for 8.9 per cent (211,500 jobs) in 2008, falling to 5.7 per cent (137,600 jobs) in 2010. The prospects for 2011 appear to have improved marginally, with real growth in the sector up by 1 per cent and employment up by 0.9 per cent. Despite the government's plan to encourage private investment in travel and tourism, capital investment fell from 11.6 per cent of total investment in 2008 to 9.2 per cent in 2010.

Mining

Mining has been a stable sector of the El Salvadorian economy for several years. Gold, silver, sea salt and limestone are mined or quarried and there are deposits of copper, iron ore, sulphur, mercury, lead, zinc and perlite. There are two gold mines, one at San Cristobal and the other near San Salvador which also mines silver. However, the mining sector is small and underdeveloped, contributing only 0.1 per cent to GDP. There are two cement works, the 240,000 tonnes per year (tpy) Cemento Mayan at Canton Tecomapa and the 684,000tpy Cemento de El Salvador at El Ronco.

Hydrocarbons

There are no known hydrocarbon reserves, although oil exploration is ongoing. The country is totally reliant on imported products, of which oil imports were 46,000 barrels per day (bpd) in 2008, with consumption at 45,000bpd; refinery capacity is 22,000bpd, at the Acajutla Port site.

In 2006 an association of 20 municipal mayors signed an agreement with Venezuela to buy oil on preferential terms. In 2009 a presidential scheme began, to take over the purchase of oil from Venezuela for national distribution and have El Salvador considered for membership of the Petrocaribe programme, through which Venezuela provides oil at below market prices to participating Caribbean countries.

The first ethanol producing plant was opened in 2006 at Acajutla Port, processing 227,000 kilolitres per year. In 2008 the US Southridge Enterprises arranged with major domestic sugar cane growers to use their crops for ethanol production of up to 75,700 kilolitres per year. All ethanol is exported to the US.

Any natural gas or coal imports are commercially insignificant.

Energy

Total installed generating capacity was 1,236MW in 2007, producing over 5.3 billion kilowatt hours. The energy market is open to competition but subject to the autonomous regulatory body of the Superintendencia General de Eléctricidad y Telecomunicaciones (Siget) (Superintendent General of Electricity and Telecommunications).

El Salvador is the largest producer of geothermal electricity in Central America. The privately owned LaGeo operates the Ahuachapán and Berlin geothermal power plants. Hydroelectric installations include Guajoyo, Cerrán Grande, 5 de Noviembre and 15 de Septiembre.

Nations of the World: A Political, Economic and Business Handbook

Financial markets

Stock exchange

Bolsa de Valores de El Salvador (BVES) (El Salvador Stock Exchange)

Banking and insurance

The banking system of El Salvador remained under state ownership until 1991. Thereafter the government implemented market reforms that handed control to private investors. Interest rates are determined by the market.

Central bank

Banco Central de Reserva de El Salvador

Time

GMT minus six hours

Geography

El Salvador lies on the Pacific coast of Central America. Guatemala is to the west and Honduras to the north and east. The basins in the centre of the country rise to little more than 600 metres at San Salvador. Across this upland and surmounting it, run two more or less parallel rows of volcanoes, 14 of which are over 900 metres. Lowlands lie to the north and south of the high backbone. The ash and lava from the volcanoes have produced an ideal soil in which to grow coffee.

Hemisphere

Northern.

Climate

The climate is semi-tropical. The dry season is from November–April; temperatures range from 15–23 degrees Celsius (C); the rainy season runs from May–October, when the average temperature is 28 degrees C. Generally, the temperature depends on the altitude; coastal areas are hotter and more humid than upland areas.

The driest month is February with just 5mm average rainfall. The wettest month is June with 328mm. The coldest month is December when the average daily temperature varies between 16 and 32 degrees C. In May, the hottest month, the variation is only slightly different, ranging between 19 and 33 degrees C.

Dress codes

Light cotton suits and ties are the generally accepted form of dress for businessmen, although some Salvadoreans will dress less formally in *guyaberas* (styled cotton shirts worn outside the trousers), particularly in the warmest months. Businesswomen should wear a light suit or equivalent. Dress as for business if invited to a social occasion unless suggested otherwise.

A sweater or light jacket will be required for evenings and for the highlands.

Entry requirements

Passports

Required by all. Passports must be valid for six months from date of departure.

Visa

Required by all, except citizens of most Central American, EU and some Asian countries (for a full list visit www.elsalvador.org or contact the local embassy). Business visas require, in Spanish, a letter of invitation from an El Salvadorian company and a letter from the foreign company being represented.

Currency advice/regulations

There are no restrictions on the import or export of local or foreign currencies. In the case of foreign currencies, the quantity being imported, especially if sizeable, should be declared, as there is a restriction on export of larger amounts to the level imported.

Prohibited imports

Fruit, vegetables, plants and animals.

Health (for visitors)

Mandatory precautions

A yellow fever vaccination certificate is required if arriving from an infected area.

Advisable precautions

Typhoid, polio, hepatitis A and tetanus vaccinations. Dengue fever cases have risen, visitors should avoid exposing their skin during early morning and evening when the risk of being bitten by mosquitoes is highest. Malaria is not a virulent strain but prophylaxis should be taken as there is some risk in the Santa Anna province and rural locations. There is a high rabies risk. Water precautions are essential and only well-cooked food should be eaten. Milk is unpasteurised and should be boiled.

Hotels

The best hotels can be found in the capital. A 10 per cent tip is usual.

Public holidays (national)

Fixed dates

1 Jan (New Year's Day), 1 May (Labour Day), 4 Aug (Transfiguration Bank Holiday), 15 Sep (Independence Day), 12 Oct (Columbus Day), 2 Nov (All Souls' Day), 24 Dec (Christmas Eve), 25 Dec (Christmas Day), 31 Dec (New Year's Eve).

Variable dates

Holy Wednesday, Maundy Thursday, Good Friday.

Working hours

Banking

Mon–Fri: 0900–1700. Sat: 0900–1300.

Business

Mon–Fri: 0900–1800.

Government

Mon–Fri: 0800–1730.

Shops

Mon–Sat: 0900–1200, 1400–1800. Supermarkets Mon–Sat: 0800–2200. The main shopping centres are open on Sunday.

Electricity supply

110V AC, 60Hz

Social customs/useful tips

Appointments should be made in advance. Salvadorans have a distinctly Latin sense of time and can be among the least punctual people in Central America, although many businessmen and bankers, particularly those with export experience, keep *horas inglesas* (punctual time). Business relationships and meetings tend to be formal in early stages. Use proper titles such as *Licenciado* (college graduate), *Ingeniero* (engineering graduate) and *Doctor* (physicians and lawyers), followed by the person's surname. Handshaking before and after meetings is important. First names should not be used until a business relationship has been consolidated. Upon introduction it is important to exchange cards; a supply of Spanish-printed cards is advisable.

Business is conducted in Spanish although some executives speak English. Some knowledge of spoken Spanish is much better than none.

Meetings over meals, including breakfast, are becoming common. Working lunches and dinners can be lengthy. Gratuities in restaurants and hotels are around 10 per cent.

Security

El Salvador has a poor personal security environment, with a homicide rate twice that of Los Angeles. Kidnapping, carjackings, and robbery are common and can occur anywhere. There is a risk of murder for those robbed, even if they do not resist. Downtown San Salvador should be avoided at all times, as should roads outside the city after dark. Reports indicate the border with Guatemala has been a site for attacks on vehicles. Jewellery or large amounts of cash should not be carried.

Business travellers should arrange to be met at the airport and be accompanied by a local representative, as this has been shown to reduce problems.

Getting there

Air

National airline: TACA Airlines.

International airport/s: El Salvador International (SAL), 35km south of San Salvador; bank, car hire, restaurants, shops. The airport and the highway that runs to it are the most modern and developed in the region. It is expanding its services in order to become an international cargo warehousing and distribution centre.

Airport tax: US\$27.15.

Surface

Road: Roads run from Guatemala and Honduras. Duty is paid at the border when entering or leaving the country by land. It is advisable to carry small denomination notes to pay the border duties.

Rail: Lines run through El Salvador from Guatemala to Honduras.

Main port/s: Acajutla, La Unión/Cutuco, La Libertad (fishing only). Major ports on the Pacific are Puerto Barrios and Santo Tomás de Castilla.

Getting about

National transport

Air: Scheduled internal services from San Salvador to San Miguel, La Unión and Usulután. Charter flights are available.

Road: There is a network of 9,800km of paved roads. The Pan-American Highway (over 3000km) runs through the country linking San Salvador with Santa Ana in the west and San Miguel in the east; Carretera Litoral runs south of the Pan-American Highway linking the capital with Sonsonate, Zárate and Usulután. Many roads have fallen into considerable disrepair as a result of the war and cuts in government spending.

Buses: The bus system is excellent, with services between major towns. The buses are often crowded and run frequently.

Rail: There are 602km of railway, including 429km of line from Guatemala to Honduras. A narrow gauge line links the western town of Ahuachapán and the port of Acajutla with San Salvador, which is in turn connected to La Union in the east. The railway is used largely for freight traffic.

City transport

Taxis: Taxis are bright yellow. The regular taxi line is Taxi Acaya. Taxis can be hailed or ordered by telephone. The fixed rate system is not rigidly followed – check before proceeding. No taxis have meters. Tipping is unusual but 10 per cent of fare is appreciated. Taxi from airport to city centre journey time is 25 minutes.

Car hire

A national or international permit valid for 30 days is required. Traffic drives on the right.

BUSINESS DIRECTORY

The addresses listed below are a selection only. While World of Information makes every endeavour to check these addresses, we cannot guarantee that changes have not been made, especially to telephone numbers and area codes. We would welcome any corrections.

Telephone area codes

Dialling code for El Salvador: IDD access code +503 followed by subscriber's number.

Useful telephone numbers

Emergency: 121

Information: 114

International enquiries/calls (operator):

119, 120

For collect calls (US only): 190

Migration Office: 222-7328

Foreign Office: 222-6611

Chambers of Commerce

American Chamber of Commerce of El Salvador, Paseo General Escalón 5432, San Salvador (tel: 264-7609; fax: 263-3237; e-mail: contact@amchamsal.com).

El Salvador Cámara de Comercio e Industria, 9a Avenida Norte y 5a Calle Poniente, PO Box 1640, 1118 San Salvador (tel: 244-2000; fax: 271-4461; e-mail: camara@camarasal.com).

Banking

Ahorromet Scotiabank, Avenida Olímpica 129, Edificio Torre Ahorromet Scotiabank, San Salvador (tel: 245-1211; fax: 245-2884).

BANCASA (Banco de Construcción y Ahorro), 75 Avenida Sur 709, Colonia Escalón, San Salvador (tel: 263-5508; fax: 263-5506).

Banco Agrícola Comercial, Paseo General Escalón 3635, Colonia Escalón, San Salvador (tel: 224-0283; fax: 224-3948).

Banco de Comercio de El Salvador, 25 Avenida Norte y 23 Calle Poniente, San Salvador (tel: 226-4577; fax: 225-7767; e-mail: webmaster@banco.com.sv).

Banco Creditomatic, 55 Avenida Sur y Alameda Roosevelt, Centro Roosevelt, San Salvador (tel: 298-1855; fax: 224-4138).

Banco Cuscatlán, Km 10 Carretera a Santa Tecla, Edificio Pirámide Cuscatlán La Libertad (tel: 228-7777; fax: 228-9999).

Banco Hipotecario, Pje. Senda Florida Sur, Paseo General Escalón, San Salvador (tel: 223-3753; fax: 298-0447).

Banco Salvadoreño, Alameda Dr Manuel Enrique Araujo 3550, San Salvador (tel: 298-4444; fax 298-0102).

Grupo Capital, Alameda Dr Manuel Enrique Araujo, Edificio Century Plaza, San Salvador (tel: 245-6000; fax: 224-3303).

Unibanco, Alameda Roosevelt 2511, San Salvador (tel: 245-0651; fax: 298-5261).

Central bank

Banco Central de Reserva, Alameda Juan Pablo, entre 15 y 17 Avenida Norte, PO Box 106, San Salvador (tel: 281-8000; fax: 281-8013; e-mail: comunicaciones@bcr.gob.sv).

Stock exchange

Bolsa de Valores de El Salvador (BVES) (El Salvador Stock Exchange), www.bves.com.sv

Travel information

Corporación Salvadoreña de Turismo (CORSATUR), Boulevard del Hipódromo 508, San Benito, San Salvador (tel: 243-7835; fax: 243-0427).

TACA International Airlines, Edificio Caribe, San Salvador (tel: 298-5055; fax: 279-4345).

National tourist organisation offices

Instituto Salvadoreño de Turismo (ISTU) (El Salvador Tourist Board), Calle Rubén Darío 619, San Salvador (tel: 228-000, 222-8699, 222-8144, 222-9366; fax: 221-208).

Ministries

Ministry of Agriculture and Livestock, Final 1a Avenida Norte 13 Calle Oriente y Avenida Manuel Gallardo 704, San Salvador (tel: 279-1579; fax: 224-2944).

Ministry of Defence, Alameda Manuel Enrique Araujo, Carretera a Santa Tecla, San Salvador (tel: 223-0233; fax: 298-2005).

Ministry of Economy, Alameda Juan Pablo II Calle Guadalupe, Centro de Gobierno, San Salvador (tel: 281-7134; fax: 221-2797).

Ministry of Education, Alameda Juan Pablo II Calle Guadalupe, Centro de Gobierno, San Salvador (tel: 281-0256; fax: 281-0257).

Ministry of Environment, Alameda Roosevelt y 55 Avenida Norte, Torre El Salvador, San Salvador (tel: 260-8876; fax: 260-3092).

Ministry of Finance, Edificio Las Tres Torres, Avenida Alvarado, San Salvador (tel: 225-6500; fax: 225-7491).

Ministry of Foreign Affairs, Alameda Manuel Enrique Araujo 5500, San Salvador (tel: 243-3805; fax: 243-3710).

Ministry of Health, Calle Arce 827, San Salvador (tel: 271-0008; fax: 221-0985).

Ministry of Interior, Centro de Gobierno, San Salvador (tel: 221-8582; fax: 281-5959).

Ministry of Justice and Public Security, 6a Calle Oriente 42, Antiguo Local Policía Nacional, San Salvador (tel: 271-2655; fax: 245-2650).

Ministry of Labour, Paseo General Escalón 4122, San Salvador (tel: 263-5423; fax: 263-5272).

Ministry of Public Works, 1a Avenida Sur 603, San Salvador (tel: 293-6603; fax: 271-0163).

Nations of the World: A Political, Economic and Business Handbook

Other useful addresses

Asociación Nacional de la Empresa Privada (ANEPE), 1a Calle Poniente y 71a Avenida Norte 204, Colonia Escalón, San Salvador (tel: 224-1236; fax: 223-8932; e-mail: anep@telesol.net).

Asociación Salvadoreña de Industriales (ASI), Calles Roma y Liverpool, Colonia Roma, San Salvador (tel: 279-2488; fax: 279-2070; e-mail: unatias@sv.cciglobal.net).

Bolsa de Valores de El Salvador, Alameda Roosevelt 3107, Edificio La Centroamericana, San Salvador (tel: 298-4244; fax: 223-2898; e-mail: webmaster@bves.com.sv).

British Embassy, Paseo General Escalón 4828, Edificio Inter-Inversiones, San Salvador (tel: 263-6527; fax: 263-6516; e-mail: britemb@sal.gbm.net).

Corporación de Exportadores de El Salvador (COEXPORT), Condominios del

Mediterráneo A-23, Colonia Jardines de Guadalupe, San Salvador (tel: 243-3110; fax: 243-3159; e-mail: service@coexport.com).

El Salvador Embassy (USA), 2308 California Street, NW, Washington DC 20008 (tel: (202) 2265-9671; fax: (202) 234-3834; e-mail: correo@elsalvador.org).

Fundación Salvadoreña para el Desarrollo Económica y Social (FUSADES), Urbanización y Boulevard Santa Elena, Edificio FUSADES, Antiguo Cuscatlán, La Libertad (tel: 278-3366; fax: 278-3369; e-mail: fusades@fusades.com.sv).

Superintendencia del Sistema Financiero, 7a Avenida Norte 240, San Salvador (tel: 281-24444).

Unión de Dirigentes de Empresas Salvadoreñas (UDES), Condominios del

Mediterráneo C-22, Colonia Jardines de Guadalupe, San Salvador (tel: 243-2746; fax: 243-3145).

US Embassy, Boulevard Santa Elena Final, Antiguo Cuscatlán, La Libertad (tel: 278-4444; fax: 278-6011).

Other news agencies: Prensa Latina: www.prensalatina.com.mx

Internet sites

Bolsa de El Salvador (Stock Exchange) (Spanish): <http://www.bolsavalores.com.sv/>

El Salvador trade and investment: <http://www.elsalvadortrade.com.sv/>

Fundación Salvadoreña para el Desarrollo Económico e Social (Salvadorean Foundation for Social and Economic Development) (Spanish): <http://www.fusades.com.sv/>